

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 NEA-10 ISO-00 SSO-00 NSCE-00 USIE-00

INRE-00 SPC-03 AID-20 NSC-10 RSC-01 CIEP-02 SS-20

STR-08 OMB-01 CEA-02 L-03 H-03 CIAE-00 COME-00 FRB-02

INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01 PA-04

PRS-01 IO-14 DRC-01 /178 W

----- 064795

O R 241455Z OCT 73

FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 5032

TREASURY DEPT WASHDC IMMEDIATE

INFO AMEMBASSY DACCA

AMEMBASSY ISLAMABAD

CONFIDENTIAL LONDON 12330

E.O. 11652: N/A

TAGS: EFIN, PK, BD

SUBJECT: PAKISTAN/BANGLADESH DEBT

REF: STATE 208687, 208335

1. PURSUANT TO INSTRUCTIONS REFTELS, ECONMIN CALLED ON J.L.F. BUIST, HEAD OF SOUTH ASIA DEPARTMENT, OVERSEAS DEVELOPMENT ADMINISTRATION, WHO IS RESPONSIBLE FOR COORDINATING HMG POSITION ON PAKISTAN/BANGLADESH DEBT. ASSISTANT TREASURY ATTACHE MADE SEPARATE CALL ON MRS. HESTER BOOTHROYD, UNDER SECRETARY, HM TREASURY. WE LEARNED THAT INTER-AGENCY MEETING IS PLANNED FOR THURSDAY OR FRIDAY THIS WEEK FOR PURPOSE OF DISCUSSING AND ARRIVING AT POSITION ON PAKISTAN/BANGLADESH DEBT. IN VIEW OF IMMINENT MEETING, NEITHER BUIST NOR BOOTHROYD COULD GIVE FINAL, DEFINITIVE ANSWER TO OUR QUESTIONS, BUT IT WAS CLEAR FROM OUR CONVERSATIONS THAT BRITISH GOVERNMENT AGENCIES CONCERNED ARE IN GENERAL CONFIDENTIAL

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AGREEMENT ON APPROACH TO PAKISTAN DEBT QUESTION.

2. BRITISH REGARD OUR INITIATIVE AS PREMATURE AND THEY WOULD PREFER NOT TO DECIDE ON ANY OPTION AT THIS POINT. THEY FEEL THAT THEY SHOULD PROCEED AS ORIGINALLY PLANNED. THAT IS, IBRD WILL DO A STUDY AND PRESENT RECOMMENDATIONS TO THE CREDITORS. CREDITORS WOULD THEN TAKE RECOMMENDATIONS INTO CONSIDERATION IN WORKING OUT DEBT RELIEF SCHEME COMPATIBLE WITH REALITIES OF SITUATION. ANOTHER POINT IS THAT BRITISH PREFER TO LOOK AT TOTAL PAKISTAN DEBT WITHOUT GIVING SEPARATE AND SPECIAL STATUS TO DISPUTED DEBT. IT IS FELT THAT TO DO SO MIGHT UNDERMINE THE CONSORTIUM POSITION THAT PAKISTAN IS RESPONSIBLE FOR ALL DEBT EXCEPT THAT ASSOCIATED WITH PROJECTS VISIBLY LOCATED IN BANGLADESH. THUS, BRITISH ARE WARY OF US OPTIONS (1) AND (2) AND

ARE INCLINED TOWARD OPTION (3).

3. OUR CONTACTS EMPHASIZED THAT WE SHOULD LOOK AT TOTAL DEBT (APART FROM THAT ASSOCIATED WITH PROJECTS VISIBLY LOCATED IN BANGLADESH) AND SERVICING REQUIREMENTS IN ARRIVING AT REALISTIC APPRAISAL OF WHAT PAKISTAN GOVERNMENT COULD HANDLE. BRITISH TEND TO FAVOR SINGLE LONG-TERM SETTLEMENT, AND THEY WOULD PREFER WRITING DOWN RATHER THAN WRITING OFF ANY GIVEN DEBT.

4. WE WILL FOLLOW UP AND REPORT AFTER INTER-AGENCY MEETING TAKES PLACE.

ANNENBERG

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